WELFARE REFORM RECONCILIATION/Block Grant Formula

SUBJECT: **Personal Responsibility and Work Opportunity Act of 1996 . . . S. 1956. Graham/Bumpers amendment No. 4936.**

ACTION: AMENDMENT REJECTED, 37-60

SYNOPSIS: As reported, S. 1956, the Personal Responsibility and Work Opportunity Act of 1996, will enact major welfare reforms. The Aid to Families with Dependent Children (AFDC) program will be replaced with a new Temporary Assistance for Needy Families (TANF) block grant to the States. The TANF block grant will be capped through 2001. Time limits will be placed on individuals receiving TANF benefits. Overall, the growth in non-Medicaid welfare spending will be slowed to 4.3 percent annually. The bill originally included major Medicaid reforms, but most of those provisions were stricken when the bill was reported. Without those Medicaid reforms, welfare spending will still be reduced by $61.4 billion over 6 years.

The Graham/Bumpers amendment would adopt a formula that would give each State block grant funding based on the percentage of the country's poor children that it had instead of on its past welfare spending practices. (AFDC has operated for the most part as a 50-50 matching program, under which the States could spend as much or as little as they wished on welfare and the Federal Government would provide an equal amount. Under the bill, a State will receive a TANF block grant each year that will be based on the average of its FY 1992-1994 AFDC spending, its FY 1994 AFDC spending, or its FY 1995 AFDC spending. In general, a State will be required to continue spending on welfare at least 80 percent as much as it spent in FY 1994.) Under the Graham/Bumpers amendment, States would receive a declining percentage of their block grants based on their past welfare expenditures, and an increasing percentage based on the percentage of poor children they had. By FY 2001 their grants would be based entirely on the percentage of poor children they had. No adjustment would be made in the amount that the State would have to spend of its own funds. Thus, a State that historically had spent very little on welfare, despite having a very large number of children on welfare, would receive a large increase in Federal funding under this formula, but it would still only have to spend 80 percent of the amount of its own money that it historically spent.

Those favoring the amendment contended:

(See other side)

YEAS (37)		NAYS (60)			NOT VOTING (3)	
Republicans (10 or 20%)	**Democrats (27 or 59%)**	**Republicans (41 or 80%)**		**Democrats (19 or 41%)**	**Republicans (2)**	**Democrats (1)**
Coats	Akaka	Abraham	Hatch	Boxer	Grams-2	Moseley-Braun-2
Faircloth	Baucus	Ashcroft	Hatfield	Bradley	Kassebaum-4	
Frahm	Biden	Bennett	Hutchison	Dodd		
Helms	Bingaman	Bond	Inhofe	Feingold		
Jeffords	Breaux	Brown	Kempthorne	Feinstein		
Lugar	Bryan	Burns	Kyl	Glenn		
Mack	Bumpers	Campbell	Lott	Harkin		
McConnell	Byrd	Chafee	McCain	Kennedy		
Pressler	Conrad	Cochran	Murkowski	Kerry		
Warner	Daschle	Cohen	Nickles	Kohl		
	Dorgan	Coverdell	Roth	Lautenberg		
	Exon	Craig	Santorum	Levin		
	Ford	D'Amato	Shelby	Lieberman		
	Graham	DeWine	Simpson	Mikulski		
	Heflin	Domenici	Smith	Moynihan		
	Hollings	Frist	Snowe	Murray		
	Inouye	Gorton	Specter	Sarbanes		
	Johnston	Gramm	Stevens	Wellstone		
	Kerrey	Grassley	Thomas	Wyden		
	Leahy	Gregg	Thompson			
	Nunn		Thurmond			
	Pell					
	Pryor					
	Reid					
	Robb					
	Rockefeller					
	Simon					

EXPLANATION OF ABSENCE:
1—Official Buisiness
2—Necessarily Absent
3—Illness
4—Other

SYMBOLS:
AY—Announced Yea
AN—Announced Nay
PY—Paired Yea
PN—Paired Nay

This bill will discard the old welfare system in favor of a new system under which States will be expected to move recipients off of welfare and into work. States that do not do so quickly enough will be penalized. States that do well will be rewarded. Each State will receive a block grant from the Federal Government, and will have very broad authority to design a system to suit its needs. The one huge problem with this plan is that the block grant funding will not be distributed equitably. Each State's block grant funding will be based on the amount of money that it has spent in recent years. Some States spend a lot more per poor person on welfare than do others. For instance, New York spends nearly six times as much per poor child as does Mississippi, and Massachusetts spends more than Alabama, Arkansas, Louisiana, South Carolina, and Texas combined. There are many reasons for these disparities, ranging from the differences among the States in the cost of living to the relative wealth of the States to the attitudes towards welfare, but the reasons for these disparities are irrelevant. It may or may not be true that these variations in funding represent a fair distribution of funds under the current program, but either way it does not mean that they will be fair under the new program.

In fact, we think the evidence proves that they will not be fair. States have been experimenting with programs that move people from welfare to work. In looking at those experiments, two facts stand out--they are expensive, and their costs are fairly uniform across the country. It definitely is cheaper to pay someone on welfare to live in a rural area in Florida than it is to pay for a welfare recipient in New York City, but it is not any cheaper to train that person who may never have worked a day in her life to enter the work force. It will be fundamentally unfair to give a State like Florida the same low amount of money which was sufficient for it to meet the dependency needs of its welfare recipients and expect it to be able to use it to pay the much higher costs of getting those people into the work force. States will start on extremely unequal footings. A State like New York will get enough money to get its people into the work force, and when it does it will get rewarded. A State like Florida will not get enough funding, and when it fails to meet this bill's work requirements it will get penalized. If it fails again the next year, it will get a further reduction.

Making matters even worse, the block grant funding will not be changed to take into account changing economic factors or population changes. Thus, high-growth States may in a few years have twice as many poor people and they will still receive the same amount of money. Under the AFDC program, they would definitely not have stayed at the same level of funding, but under this bill their basic block grants will remain unchanged.

The Graham/Bumpers amendment would enact a much fairer alternative. It would base block grant funding on the relative number of poor children in a State. If a State had 1 percent of the country's poor children, it would receive 1 percent of the funding. If an economic downturn or a population boom increased the number of poor children it had, it would get a funding increase. Every State would be treated the same because every State would have relatively the same costs involved in getting a welfare recipient into the work force. This amendment would thus give every State a fair chance to make welfare reform work. In fairness, we urge Senators to agree to this amendment.

Those opposing the amendment contended:

States that have historically been unwilling to spend much money on their welfare recipients would love for the Senate to agree to this amendment, because it would give them huge amounts of extra money and would ask for nothing in return. Those States that have been more generous with their poor citizens, though, would have their funding slashed. They would either have to come up with huge amounts of new State funding or they would have to cut benefits. Thus, the Graham/Bumpers amendment is just a greedy, selfish grab by States that have done little to help their poor people for funds from States that have taken care of their poor people. It has absolutely nothing to do with "fairness."

The bill's formula, in contrast, is very fair. Under this bill, every State will be held harmless. A State will receive the same amount of money to spend as it now spends, and it will have to spend at least 80 percent as much of its own money as it currently spends. It will then be told to spend that money as it wishes, without having to comply with a myriad of Federal regulations, and it will be judged on its results. In recent years many States have obtained partial waivers of Federal regulations, and when they have they have had great success in designing programs that move their welfare recipients into the work force. We expect that States will have even greater success under this block grant program.

Some Senators have complained that the block grant will not be adjusted to take into account economic or population changes in individual States. Those Senators, though, do not mention that the bill also will create a contingency fund that will give extra money to States that experience economic problems, nor do they mention that it will create a growth fund that will give extra money to States that experience high rates of population growth. It does not matter what pocket the money comes from, as long as adjustments are made for economic and population changes. Thus, complaints about the block grant formula not containing these adjustments are unwarranted.

We concede that if this were 1965, and we were designing the welfare system from scratch instead of replacing an existing, failed system, we would design a different funding formula. However, it does no good to pretend that it is 1965. States, for better or worse, have through their own choices adopted widely different levels of welfare benefits for their citizens. States, through their own actions, have developed the benchmark from which reforms now should be made. This bill will start by guaranteeing the States the same amount of money, it will take away all the Federal paperwork requirements and other controls, and it will let the States use the savings to enact reforms. For States that run into economic difficulties, even more money will be given. For States that experience population growth, even more money will be given. In contrast, the Graham/Bumpers amendment would ignore that existing welfare systems are in place and that upon enactment the people on those systems are still going to be there. For those people in high-benefit States, the Graham/Bumpers amendment would slash their welfare funding and would send it to people in low-benefit States. This amendment is fundamentally unfair, and should be rejected in favor of the underlying bill formula.

While opposing the amendment, some Senators expressed the following reservations:

We recognize that the current funding disparities for welfare did not develop arbitrarily. Some of those disparities, for instance, are based on differences in the cost of living in various States. Simply treating all welfare recipients equally when distributing Federal funding would therefore be unfair, and would likely cause a great deal of harm in States that needed to pay high benefits in order to meet adequately the needs of their welfare recipients. At the same time, though, we do not believe that the additional funding for States that have high population growth rates is adequate. We hope that this issue will be addressed further. For now, we cannot accept the harm that would be caused by the Graham/Bumpers amendment, and thus urge its rejection.